

DOLLY VARDEN

one of the world's large SILVER reserves

copper, lead, zinc, cadmium, molybdenum, gold, barite

1971



eleventh annual report

for the year ending march 31, 1971

DOLLY VARDEN MINES LTD. (NPL) VANCOUVER CANADA

The 1971 Annual Meeting will be held in
the Alouette Room of the Hotel Vancouver
on Monday, September 27th, at 10:30 a.m.

directors

PETER E. CROMIE
President

GEORGE AALTONEN
General Manager

JAMES W. ANNETT

HOWARD McD. MARTIN

JOHN M. ROSE

Secretary:

PETER C. G. RICHARDS

Auditors:

RIDDELL, STEAD & CO.

Solicitors:

FULTON, CUMMING, BIRD, RICHARDS

Bankers:

THE BANK OF NOVA SCOTIA

Registrar and Transfer Agent:

GUARANTY TRUST COMPANY OF CANADA

Head Office: 1400 United Kingdom Building
409 Granville Street Vancouver 2 Canada

Mines at Alice Arm, B. C.

Shares listed on the Vancouver Stock Exchange

OUR SYMBOL: A Silver Coin

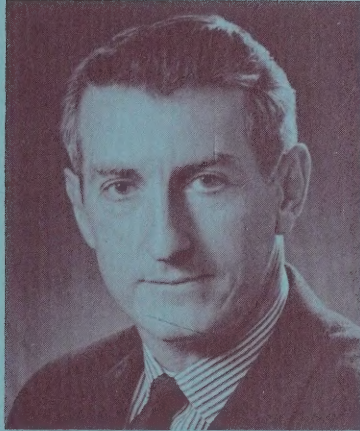


Why the girl in the hat?

In 1841 Charles Dickens in his book BARNABY RUDGE, introduced
a "charming young lady with flashing eyes" named Dolly Varden.
Her fame spread, and by the 1890's hundreds of ladies wore Dolly Varden hats.
Records show that when a prospector first discovered silver near
Alice Arm in 1907, he thought of this beautiful girl and named the strike, Dolly Varden.

DOLLY VARDEN

MINES LTD. (N.P.L.)



president's report

Eighteen months ago the Board of Directors agreed on a policy and a program for the Company which we have strictly adhered to throughout that period. Simplified, the policy was to explore the copper belt, refine the engineering (geology and mining plans) on the silver mines, and examine the areas immediately surrounding the silver mines for indications of additional mineralization and ore controls, while at the same time, obtain financing for production. It was then the unanimous opinion of authorities on the subject of silver that its price would go up by the beginning of 1971. It didn't; instead it fell from \$2.00 Cdn. per ounce to \$1.55 and at this writing is at \$1.59. However our exploration and engineering program has been very successful and has resulted in significantly increased ore reserves, potential ore, and projected profits, in spite of the drop in silver price. General Manager George Aaltonen describes the changes in his report on the following page.

During the year Mr. Goldie resigned from the Board, and the vacancy was later filled by John M. Rose, President of Kirkland & Rose Ltd., importers and manufacturers. We are grateful to Mr. Rose for the interest he has shown in the Company and for volunteering his services in this way. We extend our thanks to Mr. Goldie for his valued counsel over the past several years.

The Company is actively seeking the \$4,900,000 required to bring the silver mines into production at 700 tons per day. The Company presently has \$100,000 in working capital, resulting from a recently negotiated loan from a shareholder.

I must repeat an observation from several earlier Annual Reports: the outlook for Dolly Varden remains excellent. The circumstances governing this outlook continue to change, but the net result remains the same. The delays are extremely trying on the patience of all shareholders, and we are making every effort to avoid any further delay.

On Behalf
of the Board of Directors

A handwritten signature in cursive script, reading "Peter Cromie".

PETER CROMIE, President
August 27, 1971

This is Dolly Varden



general manager's report

Since the last annual meeting, we have gathered much additional information on the property. We have added to the ore reserves by evaluation of known information and have again added to future potential with new finds.

In May of this year, we started a program of detailed geological mapping and prospecting in the areas surrounding the silver mines. Our purpose was to establish definite ore controls which would indicate where new veins might be found. This program has been successful. The geological mapping has added markedly to our knowledge of the property; we now have a much better understanding of ore controls. We have discovered a previously unknown vein on the D'Artagnan claim, 2,000 feet south of the Wolf Mine. Traced by geo-chemical anomalies with high readings in silver, lead and zinc, the vein is 800 feet long and at the single outcrop it is 7.5 feet wide. A character sample of the vein material ran very high in lead with lesser amounts of silver and zinc. A geochemical sampling program covering an area 3600 feet by 2700 feet was carried out in the area of the new vein. This resulted in the location of three other anomalies similar to the initial discovery: one of 800 feet and two of 400 feet, plus an area 500 feet by 300 feet where high silver values occur by themselves and several isolated high values which require more detailed analysis.

As indicated in the last Annual Report, evaluation of the 1970 program showed the existence of good copper mineralization over a very large area. The further exploration of this area is an undertaking of such magnitude that the decision has been made to defer further work on it until such time as the silver mines are in production. For example, there is sufficient information on the Surprise area, the best-known but smallest of the Copper Belt areas, that it can only be developed further by diamond drilling. This can be done much more economically from an operating base, utilizing operating personnel and equipment.

During the past year, extensive studies were carried-out of all known information on all properties. Results of these studies are listed below.

- A re-assay of over 300 North Star sample pulps showed the existence of copper mineralization. This copper does not occur with the listed silver-lead-zinc reserves, but is an entirely separate zone of mineralization. It can be traced at the 1,000 ft. elevation for a length of 400 feet and widths of up to 20 feet at a grade of .75%. 15 feet of .66% were intersected in one diamond drill hole at the 750 ft. elevation, 400 feet north. Additional diamond drilling will be required to further develop this mineralization.

- The existence of an entirely different type of mineralization, low in silver but high in lead and zinc, is indicated in the North Star. The two deepest and furthest north diamond drill holes in this area intersected 12 feet of ore averaging 3.29% lead, 11.46% zinc and 1.60 oz silver. These holes are 290 feet apart and intersect the vein at about the 800 foot elevation. Additional tonnages of this ore can again be located only by a program of underground development and diamond drilling.

- Ore reserve sections at 50 foot intervals were drawn for the Dolly Varden and North Star and at 25 foot intervals for the Torbrit. From these, ore reserves were blocked out and calculated as shown below:

Mine	Tons	Silver	Lead	Zinc
Dolly Varden	47,443	16.00 oz.		
North Star	253,212	9.11 oz.	1.17%	3.40%
Torbrit	866,812	9.10 oz.	0.42%	0.50%
Wolf	534,969	9.79 oz.	0.59%	0.12%
Total	1,702,436	9.51 oz.	0.51%	0.80%

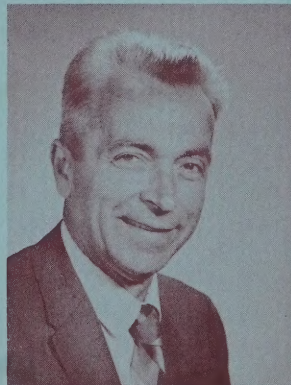
- A comparison with the ore reserve figures in the last Annual Report shows that improved tonnage and grade have increased the total estimated silver by over 5,000,000 ounces. Total reserves now give seven years of operating life at the planned milling rate of 700 tons per day. Extensions of known ore bodies and the potential of known but underdeveloped veins should at least double this.

- Operating costs have been updated, and are estimated at \$9.68 per ton. This figure includes the costs of mining, milling, maintenance, exploration, development, administration and all overhead.

In addition to the above, the indications of increased potential are most impressive. We have not followed-up on them because there is little to be achieved in raising money to increase our reserves when the existing reserves are sufficient for production.

Briefly, these indications of increased potential are;

- Copper and silver on the Surprise (assays to 18 oz Ag and 6.7% Cu with corresponding geochemical and geophysical anomalies)
- High grade silver values 200 feet below the present Wolf ore (Assays to 51 oz Ag)
- Silver on the Kitsol and South Musketeer vein (assays to 25 oz Ag)
- Silver in the "V" vein (assays to 67 oz Ag)
- Extension of ore in the Dolly Varden vein (1500 feet of vein has never been drilled)
- Copper at the North Star, Torbrit and Dolly Varden
- High grade lead and zinc at depth in the North Star Torbrit area
- Copper and other metals on the Copper Belt. (Assays to 6% Cu, 3 oz Ag, and .43 oz Au and geochemical anomalies in copper and molybdenum)
- Barite in commercial amounts in all veins
- The new 800 foot long Mitchell vein plus the 2100 feet of silver, lead, zinc anomalies which were discovered this summer



George Aaltonen,
General Manager
August 27, 1971

dolly varden mines ltd. (Non-Personal Liability)

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET as at March 31, 1971

ASSETS

	1971	1970
CURRENT ASSETS		
Cash	\$ 60,010	\$ 92,120
Accounts receivable	565	3,554
Inventory of supplies at cost	17,398	17,398
Prepaid expenses	1,874	2,240
	<u>79,847</u>	<u>115,312</u>
FIXED ASSETS at cost (Note 2)	429,897	429,338
MINERAL CLAIMS, LEASES AND RIGHTS (Notes 1 and 3)..	<u>229,505</u>	<u>214,275</u>
DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURE	<u>2,203,110</u>	<u>2,094,908</u>
INCORPORATION EXPENSE at cost	<u>9,773</u>	<u>9,773</u>
	<u>\$2,952,132</u>	<u>\$2,863,606</u>

Signed on behalf of the Board

H. MARTIN, Director

PETER E. CROMIE, Director

LIABILITIES

	1971	1970
CURRENT LIABILITIES		
Bank indebtedness (note 4)	\$ 9,142	\$ -
Accounts, payable and accrued	<u>1,753</u>	<u>1,863</u>
	<u>10,895</u>	<u>1,863</u>
MINORITY INTEREST IN SUBSIDIARY COMPANIES (Note 1)	<u>2,500</u>	<u>4,000</u>
EXPLORATION AGREEMENT (Note 5)	<u>-</u>	<u>179,006</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 5)		
Authorized		
10,000,000 common shares of \$.50 each par value		
Issued		
6,000,000 shares for cash	3,000,000	2,800,000
Discounts and commissions — net	<u>474,301</u>	<u>534,301</u>
	<u>2,525,699</u>	<u>2,265,699</u>
SURPLUS	<u>413,038</u>	<u>413,038</u>
	<u>2,938,737</u>	<u>2,678,737</u>
	<u>\$2,952,132</u>	<u>\$2,863,606</u>

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS 505 Burrard St. Vancouver 111, B. C.

AUDITORS' REPORT

To The Shareholders,
Dolly Varden Mines Ltd., (Non-Personal Liability)

We have examined the consolidated balance sheet of Dolly Varden Mines Ltd. (Non-Personal Liability) and its subsidiaries as at March 31, 1971 and the consolidated statements of deferred development and administrative expenditure and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceeding year.

May 11, 1971.

Riddell, Stead & Co.
RIDDELL, STEAD & CO.

This is Dolly Varden



dolly varden mines ltd. (Non-Personal Liability)

AND SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT AND
ADMINISTRATIVE EXPENDITURE**

for the year ended March 31, 1971

DEVELOPMENT	1971	1970
Assaying and sampling	\$ 2,406	\$ 13,720
Assessment fees and taxes	5,346	4,636
Board and lodging	-	34,882
Bridge and road maintenance	-	20,222
Camp salaries and maintenance	10,323	26,219
Drifting and raising	-	123,459
Engineering and supervision	37,877	72,352
Equipment rental	1,954	17,854
Insurance	3,100	3,721
Machinery maintenance	1,353	29,946
Salaries and benefits	1,520	43,577
Transportation and freight	4,930	18,348
	<u>68,809</u>	<u>408,936</u>
ADMINISTRATIVE		
Advertising and public relations	5,270	4,600
Directors' fees	-	4,029
Interest and bank charges	140	21,870
Legal and audit	4,219	28,936
Office	4,069	4,604
Rent	3,820	5,943
Salaries and management fees	22,019	36,073
Transfer and listing fees	3,255	8,493
Travelling	980	7,108
	<u>43,772</u>	<u>121,656</u>
Interest earned	112,581	530,592
	<u>7,062</u>	<u>45,216</u>
Demolition of building	105,519	485,376
	<u>2,683</u>	<u>-</u>
Deferred expenditure at beginning of year	2,094,908	1,609,532
DEFERRED EXPENDITURE AT END OF YEAR	<u>\$2,203,110</u>	<u>\$2,094,908</u>

**CONSOLIDATED STATEMENT OF SOURCE AND
APPLICATION OF FUNDS**

for the year ended March 31, 1971

SOURCE OF FUNDS	1971	1970
Proceeds of issue of capital stock	\$260,000	\$294,500
Settlement of exploration agreement	179,006	-
	<u>80,994</u>	<u>294,500</u>
Disposal of fixed assets	3,737	64,557
Exploration agreement	-	179,006
	<u>84,731</u>	<u>538,063</u>
APPLICATION OF FUNDS		
Development and administrative expenditures	105,519	485,376
Purchase of fixed assets	6,979	63,316
Royalty payments on mineral claims	4,000	3,000
Purchase of mineral claims	730	-
Purchase of minority interest in subsidiary	12,000	-
Cancellation of equipment contracts	-	35,577
Retirement of note payable	-	70,000
	<u>129,228</u>	<u>657,269</u>
DECREASE IN WORKING CAPITAL	44,497	119,206
Working capital at beginning of year	113,449	232,655
WORKING CAPITAL AT END OF YEAR	<u>\$ 68,952</u>	<u>\$113,449</u>

dolly varden mines ltd. (Non-Personal Liability)

AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at March 31, 1971

1. SUBSIDIARY COMPANIES

The accounts of the following subsidiary companies have been consolidated with those of the parent.

	Percentage of Ownership
Copper Cliff Mines Ltd. (N.P.L.)	100%
Kitsault Silver Mines Ltd. (N.P.L.)	83%

During the year the Company acquired all of the remaining 12% minority interest in Copper Cliff Mines Ltd. (N.P.L.). The excess of cost (\$12,000) over the book value of the shares acquired (\$1,500) has been allocated to cost of mineral claims, leases and rights.

2. FIXED ASSETS

	1971	1970
Land	\$ 1,000	\$ 1,000
Roads	57,554	57,554
Bridges and dams	64,034	64,034
Buildings	99,471	102,154
Mine equipment	158,794	155,912
Office equipment	6,367	4,819
Leasehold improvements	-	1,387
Mill (under development)	30,785	30,785
Barge grid	11,892	11,693
	<u>\$429,897</u>	<u>\$429,338</u>

No depreciation has been recorded on the fixed assets.

3. MINERAL CLAIMS, LEASES AND RIGHTS

The above includes the right to mine the six "Muskateer" claims for the payment of royalties on which \$7,000 has been paid to date, and \$5,000 is due within the next year.

4. BANK INDEBTEDNESS

The bank indebtedness is secured by a personal guarantee of a shareholder.

5. CAPITAL STOCK

During the year the Company issued 400,000 shares at \$.65 per share upon termination of an agreement under which the Company received the following:

Cash	\$ 81,078
Exploration	171,812
Equipment	7,110
	<u>\$260,000</u>

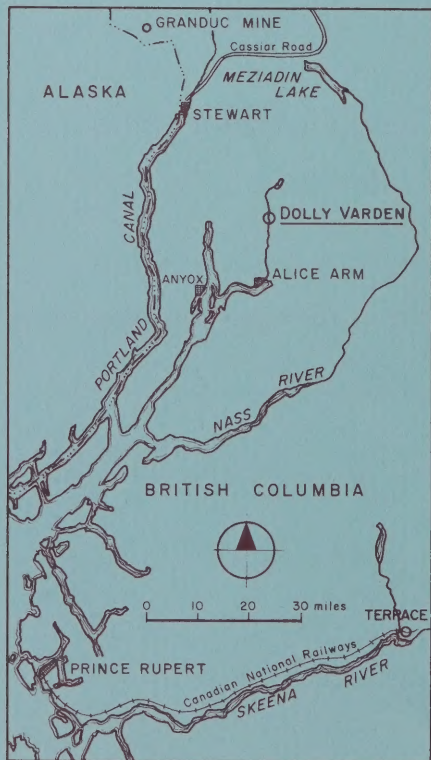
This is Dolly Varden



dolly varden mines ltd.

PROPERTY MAP

SCALE 0 500 1000 1500 3000 FEET



This is Dolly Varden